

Kootenai Valley Federal Credit Union
1010 Minnesota Ave
P.O. Box 636
Libby, Mt. 59923
406-293-6421

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve

RE: DOC R-1364

We are a small credit union with a low income community charter. Over the past four years, we have developed open-end loan programs to combat the predatory payday lenders in our area. We began doing these loans as closed end but found it was not cost effective because of the time it takes to ready the loans and the price of the forms. Open end was the way to go. We have helped numerous members break away from the cycle of payday loans. We also have incorporated a small credit counseling program to go along with the anti predatory loans.

Under our program the member is required to make minimum payments every payday. We charge no loan fees and interest at 18% per year. For a \$300.00 loan, this is generally less than \$10.00 for the duration of a 6 payment loan. At the local payday lender's shop, this would be \$20.00 per hundred each payday.

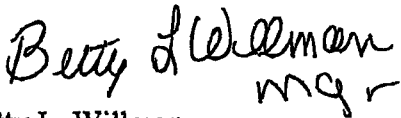
With the new regulation required by the CARD Act, this loan program may be scrapped. We will no longer be able to have payments due each payday and would also be required to send periodic statement 21 days before the due date with the same requirement as if it were a credit card loan. Currently our system will not accommodate this periodic statement. The cost involved with the statements and employee time in doing the manual statements will more than outweigh the interest amount collected for each loan. If we change to do the loans closed end, the cost of the forms alone would make this a negative earning loan. One Rep. from Cuna Mutual told me she once did a study of the cost of doing loans either open or closed end and found that a break even closed end loan must be for at least \$1000.00. This loan program offers loans to low to moderate income members for a maximum amount of \$300.00 just to keep them from borrowing from the \$20.00 per hundred per payday loan sharks at the payday lenders.

We began doing these loans at the urging of the National Federation of Community Development Credit Union, Montana Credit Union Network, the Montana Credit Unions for Community Development and yes, the National Credit Union Administration as a way to combat the negative affect the traditional payday lenders are having on our communities. There is apparently a need for these small loan programs that the larger financial institutions in our communities are not meeting. We have stepped up to the

plate in our community to offer these small loans, along with a small financial counseling program. There is no fee, other than the interest on the loan, associated with this service. And if you think we could increase the interest rate charged to offset the new cost imposed by the new REG Z requirement, we can't. We are limited to 18% APR while the payday lenders are not limited to anything.

This new requirement is hurting the underserved members of our community. Please take this into consideration while review any changes you may make to D-R-1364 or Reg Z, Truth in Lending.

Respectively;

Handwritten signature of Betty L. Willman in cursive script, with the letters 'mgr' written below the signature.

Betty L. Willman
Manager.